



State of Idaho

Legislative Services Office

Management Report

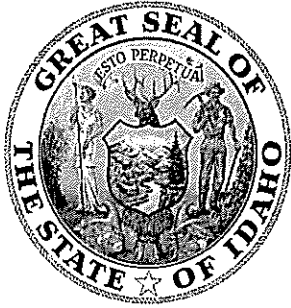
A communication to the Joint Finance-Appropriations Committee

IDAHO DEPARTMENT OF HEALTH AND WELFARE

FY 2009-2010

Report IC27010
Date Issued: January 28, 2010

Serving Idaho's Citizen Legislature



Don H. Berg, Manager

Idaho Legislative Services Office
Legislative Audits Division

IDAHO DEPARTMENT OF HEALTH AND WELFARE

SUMMARY

PURPOSE OF MANAGEMENT REVIEW

We conducted a management review of the Idaho Department of Health and Welfare covering the fiscal years ended June 30, 2009 and 2010. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

CONCLUSION

We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the Department.

FINDINGS AND RECOMMENDATIONS

There are two findings and recommendations to report.

Finding 1

Child Care Grant costs are not charged to the appropriate funding source or clearly identified as required by federal regulations.

Finding 2

Contracts with the public health districts are not monitored.

AGENCY RESPONSE

The Department has reviewed this report and is in general agreement with its contents.

FINANCIAL INFORMATION

The following financial data is for informational purposes only.

IDAHO DEPARTMENT OF HEALTH AND WELFARE – FISCAL YEAR 2010

Fund	Title	Beginning Cash/ Appropriation	Receipts/ Transfers In	Disbursements/ Transfers Out	Ending Cash/ Appropriation
0150	Budget Stabilization Fund	\$28	\$2,325,200	\$2,325,200	\$28
0172	Idaho Immunization Dedicated Vaccine Fund	0	2,475,660	0	2,475,660
0173	Idaho Health Insurance Access Card Fund	10,317,590	2,731,077	5,147,864	7,900,803
0174	Prevention of Minors' Access to Tobacco Fund	10,971	27,215	28,597	9,589
0175	Domestic Violence Project Fund	608,138	391,500	415,236	584,402
0176	Cancer Control Fund	83,058	321,579	399,865	4,772
0178	Emergency Medical Services Fund	1,391,767	2,045,168	2,205,339	1,231,596
0181	Central Tumor Registry Fund	30,256	128,632	128,125	30,763
0182	Alcohol Intoxification Treatment Fund	428,858	3,427,120	3,232,900	623,078
0190	Emergency Medical Services III Fund	1,412,931	1,015,961	1,374,888	1,054,004
0219	Hospital Assessment Fund	1,103	11,379,666	8,645,296	2,735,473
0220	Cooperative Welfare Fund*	17,340,644	2,084,692,921	2,112,588,868	(10,555,303)
0233	Community Health Center Grant Fund	103,483	0	103,483	0
0481	Endowment Accounts Fund	247,921	2,329,898	2,479,033	98,786
0483	Children's Trust Fund	44,763	186,945	185,612	46,096
0489	Health and Welfare Trust Fund	2,423,494	13,557,502	13,232,297	2,748,699
0499	Idaho Millennium Income Fund	0	2,894,800	2,894,800	0
0828	Rotary Fund	315,427	1,133,240	1,137,899	310,768
	Total**	\$34,760,432	\$2,131,064,084	\$2,156,525,302	\$9,299,214

*The Cooperative Welfare Fund 0220 can have a negative cash balance resulting from a "borrowing limit" of \$27,000,000 established for cash flow purposes.

**\$18,511,824 of the Cancer Control Fund 0176, Central Tumor Registry Fund 0181 and the Cooperative Welfare Fund 0220 ending appropriation is encumbered.

OTHER INFORMATION

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho and the Idaho Department of Health and Welfare and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Richard Armstrong, and his staff.

ASSIGNED STAFF

April Renfro, CPA, Managing Auditor
 Fred Sisneros, In-Charge Auditor
 Lori Ellis, Staff Auditor
 Sally Fong-Rocha, Staff Auditor

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FINDINGS AND RECOMMENDATIONS

FINDING 1

Child Care Grant costs are not charged to the appropriate funding source or clearly identified as required by federal regulations.

The Child Care Development Block Grant has three separate funding sources, each with different federal funding ratios and periods of availability. Costs are charged to the funding source with the highest federal rate of participation rather than determining the appropriate funding source at the time the cost is incurred. Adjustments are then made at the end of the quarter to move costs to the appropriate grants. This process compromises federal requirements for cash management, creates additional accounting effort, and increases the risk that funds are improperly used.

For example, costs of \$717,000 were initially claimed and reimbursed from the Child Care Stimulus funding source at 100% federal participation, but later moved to the Mandatory Grant funding source, reimbursed at 70%. This resulted in a refund owed to the federal grantor of \$215,000 and created accounting transactions that limit the ability to clearly identify allowable expenditures charged to each funding source as required by federal regulations (45 CFR 98.67).

The Cash Management Improvement Act (CMIA) requires the Department to incur allowable costs before requesting reimbursements. When costs already reimbursed by the federal grantor are adjusted to a grant reimbursed at a lower rate, the result is federal cash on hand with no supporting costs. The Department must then resolve this situation by either identifying additional costs to claim against the funds received or return the excess funds to the grantor. This process is time consuming for staff, increases the risk of errors, and does not comply with CMIA requirements. Additionally, ARRA "stimulus" funds require that costs be identified to the original vendors, but this adjustment process reduces the ability to trace costs to the vendor invoice and related documents.

RECOMMENDATION

We recommend that the Department charge Child Care Development Block Grant costs to the appropriate funding source and clearly identify vendors that received ARRA "stimulus" funds in accordance with federal regulations.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

We agree with the finding that Child Care grant costs were not charged to the appropriate Child Care grant funding source. Beginning November 1, 2010, we will change the current methodology to begin charging child care costs first to the mandatory grant each quarter until an amount equal to the quarterly spend of the mandatory grant has been met. The expenditures will then shift to the Discretionary and TANF/TAFI Discretionary for the remainder of the quarter. This process will minimize the number and amount of adjustments needed and keep the Department in compliance with federal requirement for sequence of use and cash management. By minimizing the adjustments this process will also clearly identify vendors that receive stimulus funds by charging the stimulus funds directly rather than by an adjustment.

FINDING 2

Contracts with the public health districts are not monitored.

The Department contracts with the seven public health districts to perform various services and program activities. However, no financial monitoring is performed by either the contract management unit or the Division of Health staff to ensure costs claimed are supported and allowable.

Each district reports and claims costs on a monthly basis as required by the contract, but these reports have insufficient detail to determine allowability with contract requirements. Additionally, these reports are not independently confirmed to supporting documentation maintained at each district. The districts report costs by category, such as personnel, operating, and trustee and benefit payments, rather than details that support the contract purpose and requirements. Some reliance is placed on the financial audits completed for these districts, but the scope of these audits may not include all programs or confirm that expenditures meet specific contract requirements. Although the Department can request supporting documentation and perform site visits, these efforts have not been taken and raise the possibility that errors and other irregularities could exist and would not be detected.

Recommendation

We recommend that the Department properly monitor contracts with the public health districts to ensure reimbursed costs are allowable to federal grants and comply with the terms of the contract.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

We agree with this finding. While the Division of Public Health exceeds the recommendation of this audit for many of its sub grants and contracts, the overall financial monitoring of health district contracts needs to be improved. The Division was awarded funding under a Public Health Infrastructure grant that will assist in developing better detailed and more thorough contracts. This, in turn, will aid Division staff in requiring additional detailed fiscal information and will enhance our ability to more fully monitor health district contracts in the future. The Division is in the process of hiring a business analyst to assist the bureau chiefs and program managers to implement these recommendations. We believe that we can comply with these recommendations by June 2011.

AGENCY RESPONSE



IDAHO DEPARTMENT OF
HEALTH & WELFARE

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RICHARD M. ARMSTRONG - Director

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January 11, 2011

Don Berg, Manager
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Dear Mr. Berg:

On behalf of the Department, we thank you for the efforts of your staff and for the opportunity to respond to your report. The Department of Health and Welfare has reviewed and responded to the recommendations presented in the Management Report for Fiscal Year 2010. Enclosed is a copy of our reply to each item addressed in the report.

If you have any further questions, please contact Steve Bellomy 334-0609.

Sincerely,

DAVID N. TAYLOR, CPA, CFE
Deputy Director

Enclosure

APPENDIX

MISSION

The Idaho Department of Health and Welfare's mission is to promote and protect the health and safety of all Idahoans.

STATUTORY AUTHORITY

The Idaho Department of Health and Welfare statutes can be found in Title 39 and Title 56 of the Idaho Code.

ORGANIZATION

The Department serves under the leadership of Idaho Governor C.L. "Butch" Otter. Director, Richard Armstrong, oversees all Department operations and is advised by a seven-member State Board of Health and Welfare appointed by the Governor.

Board of Health

The Board of Health and Welfare helps guide the Department to promote and protect the public health and well-being of Idaho citizens. Additionally, the Board is a rulemaking and advisory body that can adopt, amend, or repeal rules and standards of the Department. Executive and administrative powers of the Department belong solely to the Director of the Department.

The Board's seven citizen members are appointed by the Governor, each representing one of seven geographic regions of the State. They are the voting members of the Board. The Board also includes the Department Director, a representative from the Governor's office, and the chairs of the germane committees for the State Health and Welfare committees.

Divisions

The Department comprises eight divisions:

- Medicaid
- Public Health
- Behavioral Health
- Family and Community Services
- Welfare
- Management Services
- Human Resources
- Information and Technology

Each division provides services, or partners with other agencies and groups, to help people in our communities. As an example, the Division of Family and Community Services will provide direct services for child protection and may partner with community providers or agencies to help people with developmental disabilities.

Each division is made up of bureaus, which include individual programs. The Division of Health, for instance, has the Bureau of Clinical and Preventive Services. This includes such diverse programs as Immunizations; the STD/AIDS Program; the Children's Special Health Program; and the Women, Infants, and Children Program.

Regional directors help carry out the mission of the Department. They work with community leaders and groups to develop partnerships that help more people than the Department could by itself. They also are the Director's community representatives and are geographically located to reach each area of the State.